

MODULE 2: SELECTING PPP PROJECTS – IDENTIFICATION, SCREENING AND COST BENEFIT ANALYSIS

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Session Objective :

The session revolves around the systematic approach to identifying, evaluating, and prioritizing Public-Private Partnership (PPP) projects. These points emphasize a comprehensive evaluation framework for effectively managing PPP initiatives, ensuring that they are economically sound and aligned with public interests.

- **Objectives of This Presentation**
- Explore techniques and methodologies for project appraisal.
- Discuss the selection process for suitable PPP projects.
- Provide checklists to aid in systematic evaluation.

Headlines :

- Project appraisals and the selection of suitable PPP projects
- Creating a pipeline and prioritizing projects
- Introduction to cost benefit analysis and economic analysis
- Reviewing the PPP projects – identifying the benefits, challenges, and risks
- The potential investment models and market potential

A Diverse Landscape Of Practice And Framework :

To recent date, there is no universal framework or standardized definition for public-private partnership (PPP) projects that is accepted by all countries and institutions. Although the concept of PPP is widely recognized and used, several factors contribute to this variability:

- **Variability of Legal and Institutional Frameworks** :different legal and institutional systems that influence how PPPs are defined and managed. National and local legislations can vary considerably, making it difficult to establish universal standards.
- **Economic and Social Context**: Needs and priorities for infrastructure and public services differ from country to country, which affects how PPPs are designed and implemented. Economic, political and social contexts influence the PPP models adopted.
- **Stakeholder Engagement and Management Practices** : PPP project management methods and stakeholder engagement can vary, leading to differences in project implementation and success. Local culture, transparency and capacity of public institutions also play a role.
- **Lack of Common Terminology**

How can we define a PPP Project ?

Public-Private Partnerships (PPP) are collaborative agreements between public sector entities (such as governments or government agencies) and private sector companies to deliver public services or infrastructure projects. These partnerships leverage the strengths and resources of both sectors to achieve shared objectives.

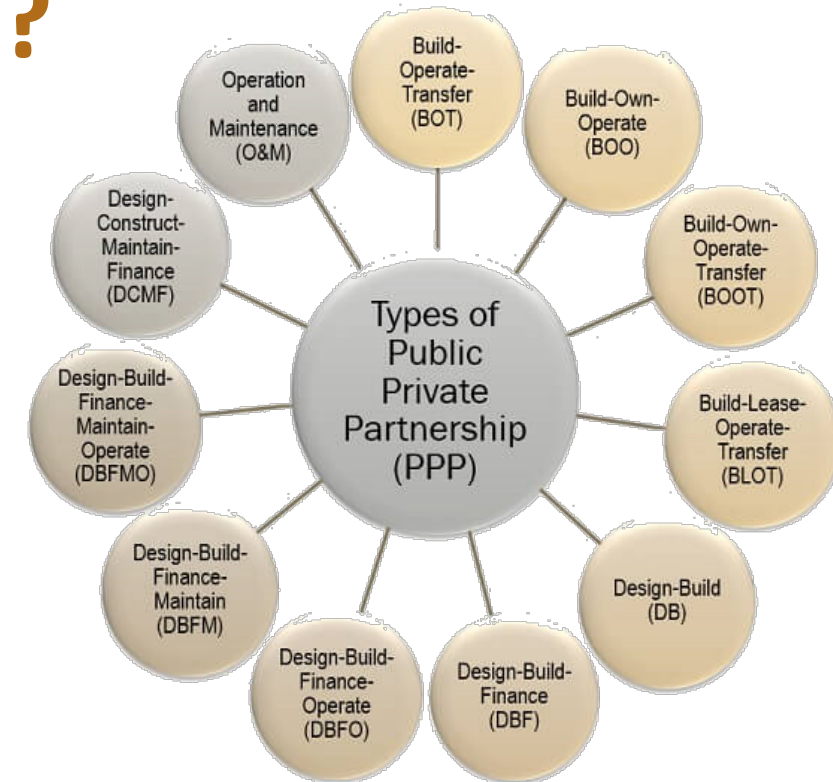
Enhance Efficiency: Improve service delivery through private sector expertise and innovation.

Attract Investment: Secure private funding to supplement public resources for infrastructure.

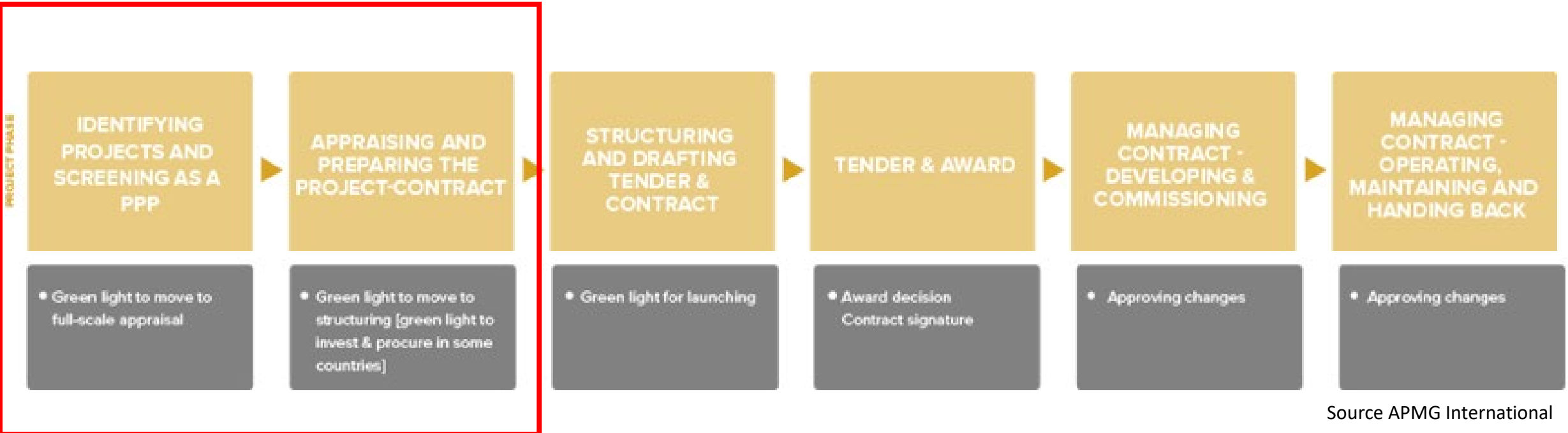
Risk Sharing: Distribute project risks between public and private sectors to enhance viability.

Access to Expertise: access to specialized knowledge and technology from the private sector.

Foster Economic Growth: Stimulate regional economic development and job creation



A PPP Process Cycle ...



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From Identification to screening of Suitable PPP Projects

Step	Purpose	Process	Outcomes	Timing in the Process	Level of Detail
Project Identification:	Involves recognizing and defining potential PPP projects that address specific public needs or strategic goals. Establishes a preliminary list of project ideas based on community demands and government priorities.	<ul style="list-style-type: none"> • Conducting needs assessments and stakeholder consultations. • Aligning projects with strategic goals and identifying sectors for potential intervention • Developing initial project concepts and descriptions. 	<ul style="list-style-type: none"> • A preliminary list of potential PPP projects that align with public needs and strategic objectives. • To generate project ideas and recognize opportunities for collaboration between public and private sectors. 	Occurs at the early stages of project development, setting the groundwork for subsequent evaluations	Generally involves broader, high-level discussions and conceptualization of project ideas.

From Identification to screening of Suitable PPP Projects

Step	Purpose	Process	Outcomes	Timing in the Process	Level of Detail
Project Screening:	Evaluates the feasibility and viability of the identified projects to determine which should move forward for further development. Assesses various factors, including technical, financial, and risk considerations, to filter out unsuitable projects.	<ul style="list-style-type: none"> Performing detailed feasibility assessments (technical, economic, legal). Analyzing market demand and competition. Conducting risk assessments and financial evaluations. 	<ul style="list-style-type: none"> A prioritized list of viable projects, ready for further planning and procurement processes. To ensure that only the most promising and feasible projects are advanced for detailed evaluation and implementation. 	Follows the identification phase, serving as a filter to assess and select the best candidates from the identified list.	Involves a more detailed, rigorous analysis of each project's feasibility and potential challenges.

Project Appraisals and the Selection of Suitable PPP Projects

Project Appraisals refer to the evaluation of a proposed project's feasibility, costs, benefits, risks, and alignment with strategic goals. This process involves assessing financial, technical, economic, social, and environmental factors to conclude whether the project is viable and worth pursuing.

Selection of Suitable PPP Projects involves identifying and choosing projects that are best suited for Public-Private Partnerships. This selection process considers factors such as value for money, risk-sharing, public interest alignment, and the capability of private partners. The goal is to ensure that chosen projects effectively leverage private sector expertise and resources while meeting public objectives.

These processes aim to ensure that PPP projects are efficient, effective, and beneficial to the community.

Project Appraisals and the Selection of Suitable PPP Projects

1. **Value for Money (VFM):** Ensure cost efficiency and improved service delivery compared to traditional methods.
2. **Risk Assessment:** Identify and allocate risks between public and private partners.
3. **Policy Alignment:** Align projects with national and local development goals.
4. **Financial Viability:** Assess revenue generation and funding sustainability.
5. **Technical Feasibility:** Evaluate the technical aspects for successful delivery.
6. **Stakeholder Engagement:** Involve stakeholders to gather input and support.
7. **Long-Term Sustainability:** Ensure ongoing community and environmental impact.
8. **Performance Metrics:** Establish indicators for project success and accountability.
9. **Legal Compliance:** Ensure adherence to relevant laws and regulations.
10. **Innovation:** Promote the use of innovative solutions and technologies.

Project Appraisals and the Selection of Suitable PPP Projects

• Following steps helps to ensure that PPP projects are evaluated and selected, leading to successful implementation that meets public needs while leveraging private sector strengths:

- Identify Project Opportunities
- Stakeholder Engagement
- Initial Feasibility Study
- Detailed Project Appraisal
- Cost-Benefit Analysis
- Risk Assessment
- Financial Viability
- Alignment with Policy Goals
- Market Analysis
- Develop Project Specifications
- Procurement Strategy
- Evaluation of Proposals
- Selection of Partner

Project Appraisals and the Selection of Suitable PPP Projects

Step	Definition	Actions	Outcomes
Identify Project Opportunities	The process of recognizing potential projects that can benefit from a PPP model.	<ul style="list-style-type: none"> Conduct community and government needs assessments. Review existing infrastructure and service gaps. 	A list of viable project ideas that align with public needs.
Stakeholder Engagement	Involving relevant parties in the planning process to ensure their input and support.	<ul style="list-style-type: none"> Identify and map stakeholders. Organize workshops and consultations to gather feedback. 	Increased community support and a better understanding of stakeholder needs and concerns.

Project Appraisals and the Selection of Suitable PPP Projects

Step	Definition	Actions	Outcomes
Initial Feasibility Study	A preliminary assessment to evaluate the basic viability of the project.	<ul style="list-style-type: none"> Assess technical, economic, and operational feasibility. Identify preliminary costs and benefits. 	An initial report indicating whether to proceed with detailed appraisal.
Detailed Project Appraisal	A comprehensive analysis of the project’s viability, risks, and financial implications	<ul style="list-style-type: none"> Conduct cost-benefit analysis. Perform risk assessment and identify mitigation strategies. Analyze financial viability through funding options and cash flow projections. 	A thorough appraisal report that outlines project feasibility and associated risks

Project Appraisals and the Selection of Suitable PPP Projects

Step	Definition	Actions	Outcomes
Alignment with Policy Goals	Ensuring the project supports broader public policy objectives and sustainability.	<ul style="list-style-type: none"> Review local, regional, and national policies. Conduct a sustainability assessment focusing on environmental and social impacts. 	Confirmation that the project aligns with strategic goals and is likely to gain public support.
Market Analysis	Assessing the private sector's interest and capacity to participate in the project.	<ul style="list-style-type: none"> Analyze market conditions and trends. Identify potential private partners with relevant expertise. 	A clear understanding of the market landscape and potential partners.

Project Appraisals and the Selection of Suitable PPP Projects

Step	Definition	Actions	Outcomes
Develop Project Specifications	Creating detailed descriptions of project deliverables and expectations.	<ul style="list-style-type: none"> Define project scope, objectives, and timelines. Establish performance metrics and quality standards. 	Comprehensive project specifications that guide procurement and implementation.
Procurement Strategy	Developing a plan for how to solicit bids from private partners.	<ul style="list-style-type: none"> Choose a procurement method (e.g., competitive bidding). Prepare tender documents that clearly outline project requirements. 	A clear procurement strategy that facilitates effective solicitation of proposals.

Project Appraisals and the Selection of Suitable PPP Projects

Step	Definition	Actions	Outcomes
Evaluation of Proposals	Assessing submitted bids to select the most suitable private partner	<ul style="list-style-type: none"> Establish evaluation criteria based on project goals. Form an evaluation committee to score and review proposals. 	A ranked list of proposals with detailed feedback for each.
Selection of Partner	Choosing the best private partner based on proposal evaluations.	<ul style="list-style-type: none"> Shortlist candidates and conduct interviews. Perform due diligence on financial stability and experience. 	Selection of a private partner that meets project requirements and stakeholder expectations.

Creating a Pipeline and Prioritizing Projects

- **Creating a Pipeline of PPP Projects** refers to the systematic process of identifying, evaluating, and organizing potential public-private partnership projects into a structured framework for development. This pipeline serves as a roadmap that guides the selection and implementation of projects based on their feasibility, alignment with strategic goals, and potential benefits to the community. Establishing a structured approach to identify and develop a portfolio of potential PPP projects.
- **Prioritizing PPP Projects** involves assessing identified projects against a set of predefined criteria to determine their relative importance and feasibility. This process ensures that resources are allocated to the most impactful projects that align with public needs and strategic objectives.

Creating a Pipeline and Prioritizing Projects

Creating a Pipeline of PPP Projects:

1. Project Identification
2. Feasibility Assessment
3. Establishing Project Criteria
4. Project Scoring and Prioritization
5. Stakeholder Engagement and Validation
6. Developing the Project Pipeline
7. Monitoring and Updating the Pipeline

Creating a Pipeline and Prioritizing Projects

Creating a Pipeline of PPP :

Step	Definition	Actions	Outcomes
1- Projects Project Identification	Recognizing potential projects suitable for PPPs across various sectors (e.g., infrastructure, healthcare, education).	<ul style="list-style-type: none"> • Conduct assessments of community and government needs. • Review existing infrastructure and services to identify gaps. • Gather input from stakeholders, including public agencies, private sector entities, and community organizations. 	A comprehensive list of potential PPP projects.
2- Feasibility Assessment	Evaluating the viability of identified projects to ensure they are suitable for further development.	<ul style="list-style-type: none"> • Perform technical, economic, and financial feasibility studies for each project. • Analyze regulatory and environmental considerations. 	A shortlist of feasible projects that are ready for deeper evaluation.

Creating a Pipeline and Prioritizing Projects

Creating a Pipeline of PPP :

Step	Definition	Actions	Outcomes
3- Establishing Project Criteria	Developing criteria to assess and prioritize projects based on strategic goals and community needs.	<ul style="list-style-type: none"> Define criteria such as alignment with public policy, economic impact, cost-effectiveness, and risk factors. Weight the criteria according to their importance to the organization or community. 	A clear framework for evaluating and prioritizing projects.
4- Project Scoring and Prioritization	Evaluating projects against established criteria to rank them in order of priority.	<ul style="list-style-type: none"> Use a scoring system or matrix to assess how well each project meets the criteria. Assign scores and rank projects based on their overall evaluation. 	A prioritized list of projects, highlighting those most likely to deliver value.

Creating a Pipeline and Prioritizing Projects

Creating a Pipeline of PPP :

Step	Definition	Actions	Outcomes
5- Stakeholder Engagement and Validation	A prioritized list of projects, highlighting those most likely to deliver value.	<ul style="list-style-type: none"> • Present the ranked projects to stakeholders for feedback. • Adjust the prioritization based on stakeholder input and concerns. 	A refined project pipeline that has buy-in from stakeholders.
6- Developing the Project Pipeline	Organizing the prioritized projects into a structured framework for implementation.	<ul style="list-style-type: none"> • Develop timelines for project development and implementation based on readiness and available resources. • Outline the necessary steps for each project, including planning, procurement, and execution phases. 	A clear project pipeline that guides future actions and resource allocation.

Creating a Pipeline and Prioritizing Projects

Creating a Pipeline of PPP :

Step	Definition	Actions	Outcomes
7- Monitoring and Updating the Pipeline	Continuously reviewing and adjusting the project pipeline to reflect new opportunities and changing circumstances.	<ul style="list-style-type: none"> Regularly assess the status of projects in the pipeline. Identify new projects for inclusion and re-evaluate existing projects based on performance and context. 	An adaptive pipeline that remains relevant and aligned with community needs and strategic priorities.

Implementation: Develop a plan for managing the pipeline, including timelines and resource allocation with priorities

Creating a Pipeline and Prioritizing Projects

Prioritization Criteria:

- Public Need: Assess the urgency and importance of projects.
- Economic Viability: Evaluate expected financial returns and sustainability.
- Social Impact: Consider benefits to communities and alignment with policy goals.
- Risk Profile: Analyze risk factors and their potential impact on project success.

Introduction to Cost-Benefit Analysis and Economic Analysis

Cost-Benefit Analysis and Economic Analysis:

- Cost-Benefit Analysis (CBA) is an approach used to evaluate the economic viability of a Public-Private Partnership (PPP) project. It helps decision-makers assess whether the benefits of a project outweigh its costs, facilitating informed investment decisions. With a purpose to Evaluate the financial feasibility of PPP projects by comparing costs and benefits.
- Both Cost-Benefit Analysis and Economic Analysis are critical for evaluating PPP projects, ensuring that decision-makers have a comprehensive understanding of both the financial and broader economic implications. By systematically assessing costs, benefits, and potential impacts, these analyses support the identification of projects that contribute to sustainable development and maximize public value. Together, they provide a robust framework for efficient decision-making in the complex landscape of public-private partnerships. Same for the economic analysis which the purpose is to Assess broader economic impacts, including efficiency, equity, and sustainability.

Introduction to Cost-Benefit Analysis and Economic Analysis

Cost-Benefit Analysis (CBA):

1. Define the Project Scope
2. Identify Costs
3. Identify Benefits
4. Quantify Costs and Benefits
5. Calculate Net Present Value (NPV)
6. Conduct Sensitivity Analysis
7. Decision-Making

Economic Analysis for PPP Projects:

1. Economic Context and Objectives
2. Identify Economic Costs and Benefits
3. Calculate Economic Net Present Value (ENPV)
4. Assess Social Impact
5. Report Findings

Introduction to cost benefit analysis and economic analysis

- Costs: Include direct costs (capital, operational), indirect costs (environmental impacts, social costs), and opportunity costs (foregone alternatives).
- Benefits: Encompass direct benefits (increased revenue, reduced costs) and indirect benefits (improved quality of life, environmental improvements).
- Quantifying both costs and benefits in monetary terms to facilitate comparison.
- Use techniques such as market pricing, shadow pricing, and willingness-to-pay methods for valuation.
- Time Value of Money:
 - Consider the time value of money by discounting future costs and benefits to present value using a discount rate.
 - This allows for comparison across different time periods.
- Net Present Value (NPV):
 - Calculate NPV by subtracting total discounted costs from total discounted benefits.
 - A positive NPV indicates that the benefits exceed the costs, suggesting project viability.
- Sensitivity Analysis:
 - Assess how changes in key assumptions (e.g., discount rate, cost estimates) impact the CBA results.
 - Helps identify the robustness of the project's feasibility.

Reviewing PPP Projects – Identifying Benefits, Challenges, and Risks

Reviewing PPP projects by identifying their benefits, challenges, and risks is essential for effective project management and decision-making. By understanding these aspects, stakeholders can enhance project design, improve collaboration, and mitigate potential pitfalls, ultimately leading to more successful and sustainable public-private partnerships.

Benefits:

- Improved public service delivery, enhanced infrastructure, and economic growth.
- Access to private sector expertise and innovation.

Challenges:

- Complex contract negotiations, potential misalignment of public and private interests.
- Limited public sector capacity for managing PPP projects.

Risks:

- Financial risks, operational challenges, and regulatory uncertainties.
- Strategies for risk mitigation include thorough planning, stakeholder engagement, and robust monitoring.

Potential Investment Models and Market Potential

Public-Private Partnerships (PPPs) have gained traction globally as a mechanism to deliver public services and infrastructure efficiently. Their potential spans various sectors and regions, addressing critical development needs while promoting economic growth and sustainability.

The potential of PPP projects is immense, when it comes to complicated infrastructure needs and enhancing public service delivery while promoting growth. By harnessing the strengths of both public and private sectors, PPPs can play a vital role in shaping a more resilient and equitable future. As countries continue to navigate the challenges of urbanization, climate change, and economic disparity, the strategic implementation of PPPs will be essential for achieving sustainable development goals.

Some investment models for Public-Private Partnerships (PPPs) represent particularly high investment opportunities due to their scalability, potential returns, and demand in the market. Depending on the project.

Model	Overview	Investment Opportunities
Build-Operate-Transfer (BOT)	In this model, a private entity builds an infrastructure project, operates it for a defined period, and then transfers ownership to the government	Ideal for large infrastructure projects like toll roads, bridges, and airports, where significant upfront capital is required and long-term revenue generation is possible through user fees.
Build-Own-Operate (BOO)	The private sector builds, owns, and operates the project indefinitely, generating revenue directly from users.	Commonly used in utility sectors (e.g., power generation, water supply) where consistent demand ensures steady cash flow and returns on investment.
Design-Build-Finance-Operate (DBFO)	A single entity is responsible for designing, building, financing, and operating a project	Suitable for complex infrastructure like highways and hospitals, where private financing can accelerate project timelines and improve efficiency.
Concessions	The government grants a private entity the right to operate a public service or facility for a specified period, usually in exchange for fees or revenue sharing.	Frequently used in transportation (e.g., toll roads, public transit) and public utilities, attracting substantial investment while ensuring ongoing public service delivery.
Joint Ventures (JV)	A partnership between public and private entities to collaboratively invest in and manage projects, sharing risks and rewards.	Effective for large-scale projects where both partners contribute unique resources and expertise, such as real estate developments and regional infrastructure.

Potential Investment Models and Market Potential

This points encapsulate the key aspects of PPP projects and their potential impact on development:

- **Global Infrastructure Needs** : Addressing Investment Gaps and Urbanization Challenges
- **Economic Growth and Job Creation** : Stimulating Economic Activity and Attracting Foreign Investment
- **Access to Services : Enhancing Public Services** and Promoting Innovation
- **Risk Management and Efficiency** : Sharing Risks and Achieving Efficiency Gains
- **Sustainability and Environmental Benefits** : Fostering Green Infrastructure and Long-term Sustainability
- **Global Trends and Examples**: Expanding Use of PPPs in Developed and Developing Countries
- **Policy and Regulatory Frameworks** : Creating Supportive Environments for Successful PPP Implementation

Conclusion

The selection of Public-Private Partnership (PPP) projects is a critical process that encompasses identification, screening, and comprehensive cost-benefit analysis. This structured approach ensures that only viable projects are pursued, ultimately leading to more successful and sustainable outcomes. By carefully identifying potential projects that align with public needs and priorities, stakeholders can effectively screen them based on feasibility and strategic fit. The integration of cost-benefit analysis further enhances decision-making by quantifying the economic and social impacts, allowing for informed comparisons between alternatives.

The importance of a robust PPP framework cannot be underrated. A well-defined framework enhances the efficiency and success of PPP projects by providing clear guidelines for project selection, execution, and evaluation. It establishes a conducive environment for collaboration between public and private sectors, fostering trust and accountability. Moreover, a solid framework aids in risk management, ensuring that both parties understand their roles and responsibilities, which ultimately leads to better project outcomes.

the meticulous selection process for PPP projects, underpinned by a strong framework is essential for maximizing the benefits of public-private collaborations. It not only enhances the effectiveness of individual projects but also contributes to broader social and economic development goals

Thank You For Your Attention